

Message Text

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ACTION EA-09

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R 070900Z APR 76

FM AMCONSUL HONG KONG

TO SECSTATE WASHDC 9865

INFO USLO PEKING

AMEMBASSY TAIPEI

AMEMBASSY MANILA

AMEMBASSY BANGKOK

AMEMBASSY KUALA LUMPUR

AMEMBASSY SINGAPORE

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E.O. 11652: NA

TAGS: ETRD, EMIN, ENRG, EPAP, EMAE, EFIN, CH, RP

SUBJECT: SINO-PHILIPPINES TRADE COMMISSION

SUMMARY: ESTABLISHMENT OF A JOINT TRADE COMMITTEE--A
FAMILAR FEATURE OF CHINESE FOREIGN TRADE RELATIONS--
HIGHLIGHTS BURGEONING SINO-PHILIPPINE TRADE. IN 1975
BOTH PRC EXPORTS TO AND IMPORTS FROM THE PHILIPPINES
GREW BY AT LEAST 90 PERCENT OVER 1974, AND FURTHER
GROWTH IN 1976 APPEARS PROMISING. THE GROWING RANGE
OF TRADED GOODS INCLUDES PRC CRUDE OIL, RICE AND LIGHT
INDUSTRIAL AND CONSUMER PRODUCTS IN EXCHANGE FOR
PHILIPPINE COPPER, SUGAR, COCONUT OIL AND TIMBER. AT
PRESENT, DURING THE "HONEYMOON" PERIOD OF POLITICAL
RELATIONS, PEKING HAS ALSO PLEDGED TO STRIVE TO ELIMINATE
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ITS BILATERAL TRADE SURPLUS WITH THE PHILIPPINES. BUT

THE TASK WILL LIELY TAKE A LONG TIME TO COMPLETE, ESPECIALLY WHILE THE PRC RUNS A CONTINUING TRADE DEFICIT WITH DEVELOPED MARKET ECONOMIES. END SUMMARY.

1. THE AGREEMENT SIGNED APRIL 5 ESTABLISHING A CHINESE-FILIPION JOINT TRADE COMMITTEE TO FACILITATE BILATERAL ECONOMIC RELATIONS HIGHLIGHTS THE HEALTHY STATE OF THEIR TRADE (HK STANDARD APRIL 6). DIRECT TRADE STARTED ONLY IN 1971 WITH PRC IMPORT OF \$400,000 WORTH OF COCONUT OIL. BY 1975, PRC IMPORTS REACHED \$25.2 MILLION, A 90 PERCENT INCREASE OVER 1974, WHILE EXPORTS ALMOST DOUBLED OVER 1974 TO REACH \$47 MILLION. LAST YEAR ALSO SAW THE PRC DIVERSIFY IMPORTS AWAY FROM CONCOMUT OIL, WHICH IN 1974 COMPRISED 94 PERCENT OF ITS IMPORTS FROM THE PHILIPPINES. NEW PRODUCTS WERE 23,000 MT OF RAW SUGAR WORTH \$3.1 MILLION, AND 40,000 MT OF COPPER CONCENTRATES WORHT PERHAPS \$15 MILLION (ASSUMING A UNIT PRICE OF \$380/MT). AT LEAST 10,000 CUBIC METERS OF TIMBER WORTH \$300,000 AND SOME PLYWOOD WERE SHIPPED. ON THE EXPORT SIDE, THERE WAS CONTINUED GROWTH IN CRUDE OIL SHIPMENTS, SCHEDULED TO REACH 650,000 MT WORTH \$35 MILLION IN 1975. AN OVER THREE-FOLD INCREASE OVER 1974 EXPORTS OF 150,000 MT. THE OTHER MAJOR EXPORT WAS RICE WORTH AROUND \$6 MILLION (REUTERS JAN 8).

2. THE TWO OFFICAL TRADE DELEGATIONS ALSO EXCHANGED GENERAL LISTS OF COMMODITIES TO BE OFFERED FOR TRADE. THE CHINESE WILL BE OFFERED IMPORTS OF COPPER CONCENTRATES, RAW SUGAR, CONCONUT OIL, LOGS AND TIMBER, TEXTILES FIBERS, PLYWWOD AND PAPER, WHILE IT WILL OFFER CRUDE OIL, MACHINERY AND EUQIPMENT, CHEMICALS AND CHEMICAL PRODUCTS, AND LIGHT INDUSTRIAL GOODS (AD-DJ IN SCM POST APRIL 6) CORPORATE LEVEL NEGOTIATIONS ALREADY IN PROGRESS SUPPORT THE STATMENT BY THE PHILIPPINES TRADE DELEGATION CHAIRMAN THAT UNDER THIS AGREEMENT BILATERAL TRADE WILL EXPAND FUTHER. FOR EXAMPLE, PEKING, WHICH NO LONGER IMPORTS CUBAN SUGAR, IS REPORTELY ON THE POINT OF SIGING A CONTRACT FOR 100,000 MT OF FILIPION SUGAR, WITH THE PRICE STILL TO BE NGOTIATED (AP-DJ IN SCM POST APRIL 3). IT WILL ALSO IMPORT LIMITED OFFICIAL USE

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50,000 MT OF COPPER CONCENTRATES, A 25 PERCENT INCREASE OVER 1974. NICKEL, WHICH THE PRC FORMERLY IMPORTED FROM CUBA, MAY ALSO BE A NEW IMPORT FROM THE PHILIPPINES, IF DISCUSSIONS BETWEEN PRC AMBASSADOR KE AND TRADE SECRETARY QUIAZON ARE FRUTIFUL (REUTERS JAN 8).

3. PRC EXPORTS TO THE PHILIPPINES WILL LIKELY CONTINUE THEIR RAPID GROWTH. CRUDE OIL SHIPMENTS,

FOR EXAMPLE, ARE SCHEDULED TO RISE IN BOTH VOLUME AND VALUE OVER 1975. WHILE PRC RICE EXPORTS MAY DECLINE THIS YEAR, PEKING IS REDOUBLING ITS EFFORTS TO PROMOTE CONSUMER GOODS AND INDUSTRIAL EQUIPMENT SALES. IN OCTOBER, THE FIRST OFFICIAL PRC EXHIBITION IN THE PHILIPPINES IS SCHEDULED TO OPEN FOR A FOUR-WEEK RUN. THIS FOLLOWS THE LATE DECEMBER 1974 EXHIBITION OF PRC GOODS IN MANILA SPONSORED BY TWO FILIPINO TRADING CORPORATIONS. (1975 ER 1 HK0391). FURTHER THE CHINA NATIONAL MACHINERY IMPORT AND EXPORT CORPORATION RECENTLY ASKED A GROUP OF HONG KONG BUSINESSMEN TO CONSIDER ESTABLISHING A FACILITY HERE TO MODIFY PRC MACHINERY FOR REEXPORT TO THE PHILIPPINES AND THAILAND. IN SOME CASES, THIS WOULD INVOLVE FITTING BASIC CHINESE MACHINES WITH SOPHISTICATED AMERICAN AND EUROPEAN ACCESSORIES.

4. WHILE TRADE IS THUS LIKELY TO EXPAND, THE AGREEMENT ALSO CALLS FOR A JOINT ENDEAVOR TO ACHIEVE A ROUGH BALANCE OF BILATERAL TRADE. IN 1975 THE PRC BILATERAL TRADE SURPLUS DOUBLED OVER 1974 TO REACH \$23.8 MILLION. THIS YEAR IT IS LIKELY THAT CHINA WILL AGAIN EARN A TRADE SURPLUS.

5. COMMENT: AT PRESENT, DURING THE POLITICAL "HONEYMOON" PERIOD, PEKING HAS EMPHASIZED COOPERATIVE ECONOMIC RELATIONS WITH THE PHILIPPINES. IT HAS PROMISED THAT IT WILL STRIVE FOR BALANCED BILATERAL TRADE, AND HAS CONCLUDED SEVERAL PUBLICIZED TRADE DEALS CLEARLY BENEFITING THE PHILIPPINES. THE PRESENT PRC TRADE SURPLUSES, HOWEVER, ARE VALUABLE IN HELPING TO FINANCE PEKING'S OWN IMPORTS FROM THE DEVELOPED COUNTRIES. AS MALAYSIA, A COUNTRY WHOSE HONEYMOON LIMITED OFFICIAL USE

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PERIOD WITH PEKING IS OVER, HAS LEARNED, IT MAY BE A LONG TIME BEFORE CHINA'S COMFORTABLE TRADE SURPLUSES WITH SOUTHEAST ASIAN COUNTRIES DISAPPEAR. CROSS

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